

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
COUNCIL – THURSDAY, 20 FEBRUARY 2025



Title of Report	HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2025/26	
Presented by	Councillor Andrew Woodman Housing, Property & Customer Services Portfolio Holder	
Background Papers	<p>Council 22 February 2024: Housing Revenue Account (HRA) Budget and Rent Setting 2024/25</p> <p>Corporate Scrutiny 7 January 2025: Minutes</p> <p>Cabinet 9 January 2025: Draft 2025/26 Housing Revenue Account (HRA) Budget and Rent Setting</p> <p>Cabinet 28 January 2025: Housing Revenue Account Budget and Rents 2025/26</p>	Public Report: Yes
Financial Implications	<p>This report sets out the Housing Revenue Account (HRA) budget including both capital and revenue for the period 2025/26 to 2029/30.</p> <p>It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.</p> <p>Signed off by the Section 151 Officer: Yes</p>	
Legal Implications	<p>No direct legal implications arising.</p> <p>Signed off by the Monitoring Officer: Yes</p>	
Staffing and Corporate Implications	<p>No direct Staffing and Corporate implications arising.</p> <p>Signed off by the Head of Paid Service: Yes</p>	

Purpose of Report	To allow the Council to approve the 2025/26 Housing Revenue Account budget and rents.
Recommendations	<p>THAT COUNCIL:</p> <ol style="list-style-type: none"> 1. APPROVES THE HOUSING REVENUE ACCOUNT (HRA BUDGET FOR 2025/26 (APPENDIX 1) AS SUMMARISED IN SECTION 2 OF THIS REPORT, INCLUDING THE INCREASING OF RENTS BY 2.7%. 2. NOTES THE FEES AND CHARGES APPROVED BY CABINET ON 28 JANUARY 2025 (APPENDIX 3). 3. NOTES THE HRA BUDGET FOR 2026/27 TO 2029/30 (APPENDIX 1). 4. APPROVES THE PROPOSED HRA CAPITAL PROGRAMME FOR 2025/26 (APPENDIX 4) AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT. 5. NOTES THE HRA CAPITAL PROGRAMME FOR 2026/27 TO 2029/30 (APPENDIX 4)

1.0 BACKGROUND

- 1.0.1 The Housing Revenue Account (HRA) Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the HRA and is updated as it evolves and develops throughout the year, to form the framework for financial planning.
- 1.0.2 The purpose of the HRA MTFP is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are effectively managed and are able to deliver the aspirations of the Council, as set out in the Council Plan, over the medium term.

1.1 Context

- 1.1.1 The Council is setting the HRA budget at a time when the Council and its residents face a range of issues. In broad terms, these can be split into two categories: economic and housing. Each of these is explored below:

1.2 Economic

- 1.2.1 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy is expected to grow by just over 1% this year rising to 2% in 2025 before falling to 1.5%, slightly below its estimated potential growth rate of 1 ⅓ % over the remainder of the forecast. The recent decisions made in the Government's Autumn Budget 2024 should push up inflation by around ½ a percentage point at their peak,

meaning it is projected to rise 2.6% in 2025, and then gradually fall back to target. The latest data as at Q3 2024 shows the UK economy is currently experiencing stagnant growth.

1.3 Housing

1.3.1 The Government published its English Devolution White paper on 16 December 2024. It put English regions centre stage in the government's plan for change with a mission to grow the economy, delivering the 1.5m homes and infrastructure.

1.3.2 The Government's ambitions for housing growth were also set out in its revised National Planning Policy Framework also published in December 2024.

1.3.3 Recognising the wider context within which the budget is being set, the Council has made improvements to financial management in the last 12 months and has continued to use processes to develop its budget plans for 2025/26 and over the medium term. This recognises the greater focus within the organisation on its finances. The process, coupled with that used in previous years, has involved:

- Services completing budget proposals to justify the need for any changes to the budget
- Budget STAR Chamber sessions between Directors and Heads of Service
- Regular reporting to the Corporate Leadership Team on the Council's overall budget position
- Engagement with councillors through Portfolio Holder briefings, Strategy Group and an all-councillor budget briefing. Further engagement is planned through scrutiny, consultation with the public and the HRA tenants' forum.

1.4 **Budget Assumptions**

1.4.1 The following budget assumptions have been built into the forecast:

- Pay award
 - 2024/25 – additional 1%, increasing from 3% to 4%
 - 2025/26 – additional 1%, increasing from 2% to 3%
 - 2026/27 onwards to remain as 2%
- Each budget line for the HRA has been reviewed to reflect the forecast actual value for future years, considering contract values, expected activity levels and previous years' expenditure with inflation added, as per contracts.
- Staffing requirements have been considered to ensure the delivery of an effective housing service with the best outcomes for tenants.
- Contracts have been linked to the Consumer Price Index (CPI)/ Retail Price Index (RPI) as per individual agreements.
- Inflation – fuel and utilities inflation are very volatile. After reviewing the current prices and future indications based on the best information available, and allowing for reviewing utility contracts, a minimal level of inflation has been included.
- Fees and charges have been increased by inflation and where appropriate, these have been considered where demand has changed (see section 2.4 for more detailed information on fees and charges).

- Rents are assumed to increase, as per the rent standard, at the 12-month CPI from September 2024 which was 1.7% plus 1%, giving a total increase of 2.7%.
- The number of properties sold through Right to Buy is assumed to increase from previous years' estimate of 16 to 75 for the current year (2024/25) then reducing each year thereafter. Higher numbers of homes have been sold through Right to Buy in the current financial year due to the reduction in the right to buy discount that the Government introduced in the recent budget in 2024.
- Future borrowing is assumed to cost 5.05% in interest payments.

2.0 HOUSING REVENUE ACCOUNT BUDGET AND MTFS 2025/26 to 2029/30

2.1 HRA Budget Summary

2.1.1 Appendix 1 shows the HRA budget position for 2024/25 and the budget for 2025/26 to 2029/30.

2.1.2 Table 1 below shows that in 2025/26 the budgeted total expenditure has reduced by £1.166m compared to 2024/25 and the income has increased by £217k from increased rental income.

Table 1: Changes to the Housing Revenue Account budget from the previous year

	2024/25	2025/26	Movement
	£'000	£'000	£'000
Income	(21,613)	(21,830)	(217)
Operating Expenditure	20,168	19,002	(1,166)
Operating (surplus)/deficit	(1,445)	(2,828)	(1,383)
Appropriations	4,063	2,766	(1,297)
Net (surplus)/deficit	2,618	(62)	(2,680)

2.1.3 The appropriations in the table are the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are lower in 2025/26 as the HRA balance has a lower capacity to fund capital.

2.2 Rents

2.2.1 As a self-financing account, the HRA's main source of income is domestic rental income. From 2016/17 to 2020/21 the Welfare Reform Act (2016) required all social rents to be reduced by 1% each year. This negatively impacted on the budget and the Council's ability to fund improvements. In 2023/24 a rent cap was imposed which capped rent increases at 7%.

2.2.2 For 2025/26, the Council proposes to increase the rent by 2.7%, which is in line with the Rent Standard of CPI +1% for 2025/26. (The rent standard is a policy that registered providers of social housing in England must comply with and is overseen by the

Regulator of Social Housing). The increase is expected to result in a total rental income of £21.02 million in 2025/26. The 2024/25 rent increased by 7.7%, which followed the same approach of CPI + 1%.

2.2.3 The average annual rent for Social and Affordable Rent properties in 2025/26 is £5,163.15 and £7,107.50 respectively (2024/25: £5,009.29; £6,480.83). The average weekly rent in 2025/26 is £103.26 and £142.15 for Social and Affordable rent respectively, (2024/25: £100.19; £138.50, respectively) which is an increase of £3.07 and £3.65 on average per week. Those tenants who are more vulnerable are protected via increases in their benefits above this level, meaning that the worst off in the district will not be negatively impacted.

2.3 Budget Proposals

2.3.1 Appendix 2 summarises the most significant proposed changes to the HRA budgets. Looking at 2025/26 specifically, the total budget changes of (£1,499k) include:

- **Net increase in income totalling (£480k).** This is largely due to rental increases.
- **Repairs and maintenance savings of (£1.3m).** Changes in the use of contractors and the Council's internal repairs team.
- **Pay-related increased costs of £214k** is due to £120k of budget proposals, to ensure compliance with new Consumer Standards, with the rest being the additional increase in pay award in both 2024/25 and 2025/26.

2.4 Fees and charges

2.4.1 In addition to the rental charges for dwellings, there are several other fees and charges in relation to services provided within the HRA. Some properties have service charges, on top of the rent, to pay for specific services relevant to their properties. The proposed fees and charges for 2025/26 are listed in Appendix 3. Most service charges increased by 1.7%, (September CPI) in line with the corporate charging policy. Whilst others have increased by contract inflation.

2.5 Changes between Draft and Final 2025/26 Budget

2.5.1 Appendix 5 provides a reconciliation between the draft revenue budget presented to Cabinet on the 9 January, the final presented to Cabinet on the 28 January and this version presented for approval.

3.0 HRA CAPITAL PROGRAMME 2025/26 TO 2029/30

3.1.1 The proposed HRA capital programme is outlined in Appendix 4. The Council has continued to ensure governance improvements by strengthening the Capital Strategy for managing the capital programme through its life cycle. The capital programme has been split into Active and Development Pool to allow development schemes in the early stages to go through further governance before being allocated an appropriate budget for each stage of development. A summary of the capital programme is shown in Table 2 below.

Table 2: Summary Capital Programme

	2025/26 Budget £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	2029/30 Indicative £'000	Total £'000
Stock Investment	9,715	9,715	9,465	9,465	9,215	47,575
Estate Improvements	500	500	500	500	500	2,500
Fleet Replacement	100	300	0	0	0	400
Other Capital	2,250	1,550	1,400	800	800	6,800
Total Active Programme	12,565	12,065	11,365	10,765	10,515	57,275
New Supply	3,013	3,066	4,433	1,396	4,189	16,097
Total Development Pool	3,013	3,066	4,433	1,396	4,189	16,097
Housing Revenue Account Total	15,578	15,131	15,798	12,161	14,704	73,372

3.1.2 Over the five-year period, the total programme totals £73.372m, an increase of £7.147m over the previous five-year programme. The difference is due to a reduction of £1.6m in the Development Pool (New Supply) and the Active Programme has a net increase of £8.75m mainly due to Major Aids and Adaptation within the Other Capital programme.

- **New Supply:** The programme has been extended to include sites being initially developed by registered providers.
- **Home Improvement Programme:** The backlog of work is on-going, and a budget has been made available for this within the capital programme.

3.1.3 Work has commenced on a revised Asset Management and Business Plan for the HRA. This will continue in 2025/26 and will inform the future programming of the HRA in future years.

3.2 Funding the Capital Programme

3.2.1 The capital programme is funded by a variety of sources, including revenue, grants, capital receipts and borrowing. Table 3 below summarises the funding sources identified for each year of the proposed HRA capital programme.

Table 3: Sources of funding for the Capital Programme

	2025/26 Budget £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	2029/30 Indicative £'000	Total £'000
Reserves	3,023	3,877	4,193	3,705	3,439	18,237
Capital Receipts	3,965	1,500	1,500	1,500	1,500	9,965
RTB Receipts	1,204	1,071	938	849	761	4,823
Revenue contributions	1,476	530	990	679	816	4,491
External Borrowing	1,909	8,152	8,177	5,428	8,189	31,855
Grants	4,000	0	0	0	0	4,000
Housing Revenue Account Total	15,578	15,131	15,798	12,161	14,704	73,372

3.2.2 Table 3, above, shows a borrowing requirement of £31.9m (2024/25: £28m) over five years to fund the programme. This is an increase of £3.9m when compared to the five-year plan for 2024/25. This is due to a reduction in capital receipts anticipated and at the same time an increase in the capital programme.

3.2.3 Appendix 5 shows the changes made from the first draft submitted to Cabinet on 9th January 2025 compared to the second draft submitted 28th January 2025 to this final draft.

4.0 DEBT

4.1 The loan balance for the HRA is forecast to be £50.9m at the end of 2024/25. There are annuity loan repayments of approximately £1.3m to make each year which are included in the budget (this is similar to a repayment mortgage on a house). The budget proposal includes new borrowing estimated to be £1.9m.

4.2 There are also loans to be repaid at maturity (this is similar to an interest-only loan or an endowment mortgage). The next of these to repay is a £10m repayment in 2036/37. In accordance with the strategy agreed in 2012, when self-financing for the HRA was introduced, the Council began setting aside funding each year in a Debt Repayment Reserve to ensure there would be sufficient funding to repay debt when it matures. The budget assumes £1.3m is set aside in 2025/26 from the HRA to make the scheduled repayments at maturity (see Appropriations in Appendix 1). The balance in the Debt Repayment Reserve increases each year to ensure there are sufficient funds to pay these debts as they mature. as shown in Table 4.

4.3 The HRA business plan is to be reviewed during 2025/26, and it will be investigated whether the approach of using a debt repayment reserve presents the best approach for a well-funded HRA and best use of resources. The findings will be presented to Corporate Scrutiny Committee and Cabinet.

5.0 RESERVES

5.1 The Council has several reserves for the use of the HRA. Most of the reserves are used for capital financing. Table 4 below shows the projected reserve balances over the MTFP period.

Table 4: Reserve balances

Reserve	31/03/2026 £000	31/03/2027 £000	31/03/2028 £000	31/03/2029 £000	31/03/2030 £000
Major Repairs Reserve	4,162	4,399	4,545	4,719	4,888
Capital Receipts	5,410	5,446	5,393	5,279	5,106
Debt Repayment Reserve	6,218	7,306	8,727	10,654	12,581
Total Capital Reserves	15,790	17,151	18,665	20,652	22,575
HRA Reserve	1,000	1,000	1,000	1,000	1,000
Earmarked Reserves	115	0	0	0	0
Total Revenue Reserves	1,115	1,000	1,000	1,000	1,000

6.0 KEY RISKS TO THE BUDGET

6.1 Table 5 provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the HRA budgets:

Table 5: Key Risks to the Budget

Area	Y/N	Comments
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y	The 2024/25 Quarter 2 financial monitoring is showing a projected underspend of £1m on the HRA. This is mainly due to staff vacancies and the overachievement of income due to the reductions in voids. However, there are some costs for the housing systems that have not been interfaced into the main financial systems. Hence, a further deep dive is required to verify the underspend.
The reasonableness of the underlying budget assumptions	Y	All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process. External review has also been undertaken by the treasury advisers, Arlingclose on the Treasury Management Strategy.
The alignment of resources with the Council's service and organisational priorities	Y	Resources are aligned to the current priorities of the Council. The latest Council Delivery Plan (CDP) was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council. The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority.
A review of the major risks associated with the budget	Y	The major risks within the budget have been assessed and are set out in the budget report, including mitigations and strategies about how these are being managed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	The Council has a minimum level of reserves for HRA (£1m). This level is to be reviewed as part of the HRA business planning process.

Area	Y/N	Comments
Have realistic income targets been set and 'at risk' external funding been identified?	Y	An assessment of income targets has been undertaken as part of the development of the budget. The most significant area of income is from dwelling rents. The budget for this is produced with reference to current stock levels and expected stock loss, reconciling data and changes from the previous year to the current year. Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.
Has a reasonable estimate of demand and cost pressures been made?	Y	The development of the budget has improved the reasonableness of estimates.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
Have one-off cost pressures been identified?	Y	All pressures have been reviewed to assess if they are one-off or ongoing in nature. Services will need to ensure exit plans exist for one-off expenditure.
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y	<p>From 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. Quarter 2 was presented to Cabinet on the 9 January 2025 and will be presented to Corporate Scrutiny on the 13 March 2025.</p> <p>The new finance system has been developed to include a budget monitoring solution, intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets.</p> <p>The Council will also need to enhance its development, monitoring and delivery of its plans to deliver balanced budgets over the medium term.</p>

Area	Y/N	Comments
Is there a reasonable contingency available to cover the financial risks faced by the Council?	Y	The Council has incorporated estimates for pay award, inflation and demand pressures into its budget.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The Council has a range of earmarked and minimum levels of reserves to ensure its financial stability.
The strength of the financial management function and reporting arrangements?	N	<p>The Council implemented a new financial system in April 2023 to improve its reporting. Further enhancements to the system are required in the short-term to deliver this.</p> <p>A review of the Financial Procedures Rules is planned.</p>
Have the previous year's Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2022/23 have been approved by Audit and Governance Committee. The audit completion date for the 2023/24 final account has not been set. Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2022/23 and 2023/24 accounts.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a continuation of the improvements introduced to the budget setting process last year. This has included a series of budget challenge sessions between the Directors and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group and an all-Councillor briefing.

7.0 CONSULTATION

7.1 Consultation with Members

7.1.1 The Corporate Scrutiny Committee considered the draft HRA fund budget at the meeting on the 7 January 2025. Members asked a number of questions around the proposals, and more detail can be seen in the minutes for the meeting, which are included as a background paper to this report.

7.2 Public Consultation

7.2.1 As part of the budget consultation, the Council launched an online survey on 13 until the 26 January 2025 to seek the views of residents, tenants and businesses on the main changes within the budget. The survey was promoted via social media and set out the key changes to the budget and asked responders to state the extent to which they supported the proposed changes. Residents could also provide additional comments if they wanted to.

7.2.2 The budget consultation responses are detailed in Appendix 7 in the General Fund and Council Tax 2025/26 report in this meeting.

7.2.3 The proposed budget was presented at the Tenant and Leaseholder Consultation Forum on 20 January 2025.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against the priorities for the HRA.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to rents and fees and charges.
Economic and Social Impact:	The HRA capital programme allocates £22.5m over five years to improve homes, and £16m on new homes to give homes to more people.
Environment and Climate Change:	The budget includes a capital programme of Zero Carbon works for dwellings worth £20m.
Consultation/Community Engagement:	Corporate Scrutiny Committee 7 January 2025 Public consultation - 13 January to 26 January 2025 Parish and town councils, trade unions and the Federation of Small Businesses - 13 January to 26 January 2025. Tenants and Leaseholders Consultation Forum – 20 January 2025 The results of the above consultations are in Appendix 7 of the General Fund and Council Tax 2025/26 in this meeting.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
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